

Message Text

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PAGE 01 BUDAPE 02375 260710Z

21

ACTION INR-07

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TO SECSTATE WASHDC 3797

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

USMISSION EC BRUSSELS

USMISSION NATO

C O N F I D E N T I A L BUDAPEST 2375

E.O. 11652: GDS

TAGS: PFOR, COMECON, HU

SUBJECT: CEMA SUMMIT MEETING

REF: STATE 169814

1. DURING COURTESY CALL ON HUNGARIAN PRIME MINISTER LAZAR LAST WEEK, MCAULIFFE INQUIRED ABOUT CEMA SUMMIT AND ITS PURPOSE. LAZAR, AN ECONOMIST WITH LONG EXPERIENCE IN CEMA AFFAIRS, SAID PRIME MINISTERS' REGULAR MEETING LAST JUNE IN BUDAPEST HAD TAKEN SEVERAL BASIC DECISIONS AND HAD INSTRUCTED CEMA SECRETARIAT TO SET IN TRAIN CERTAIN STUDIES WHICH SHOULD BE RIPE FOR DECISION AT HIGHEST
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PAGE 02 BUDAPE 02375 260710Z

LEVER BY NOVEMBER 1975. HE EXPLAINED THAT INTERDEPENDENCE

OF SOCIALIST ECONOMIES STEADILY INCREASING AS THEY HAVE MODERNIZED, REACHED HIGHER PRODUCTIVITY LEVELS, AND ATTAINED GREATER SPECIALIZATION. CEMA SECRETARIAT AND APPROPRIATE COMMITTEES HAD ALREADY RECEIVED ADEQUATE GUIDANCE FROM BUDAPEST COUNCIL SESSION AT PRIME MINISTER LEVEL TO MOVE FORWARD WITH OPERATIONAL AND TECHNICAL PLANNING BUT "KOMPLEXPROGRAM" HAS NOW ACQUIRED SUCH MAGNITUDE AND IMPORTANCE TO ALL SOCIALIST COUNTRIES THAT IT SEEMED TIMELY TO HOLD SUMMIT MEETING TO GIVE LONG-TERM DIRECTION TO THAT EFFORT. IN RESPONSE TO A QUESTION, LAZAR SAID THAT SUMMIT MIGHT DELIBERATE QUESTION OF SOME RESTRUCTURING AND NEED FOR NEW FORMS OF INSTITUTIONALIZATION IN ORDER TO MAKE OPTIMAL USE OF RESOURCES. WHEN ASKED FOR CLARIFICATION, HE TALKED AROUND THE POINT BUT DID NOT BECOME MORE SPECIFIC.

2. HAVING NOTED THAT IN WESTERN EUROPE LEADERS OF EC MEET AT SUMMIT REGULARLY EVERY SIX MONTHS, MCAULIFFE INQUIRED WHETHER LAZAR EXPECTED THAT CEMA MIGHT ADOPT SAME PATTERN. PRIMIN SAID CEMA LEADERS HAD MET AT SUMMIT PREVIOUSLY ON AD HOC BASIS AND THAT MEETING PLANNED FOR NOVEMBER IS ANOTHER SUCH GATHERING. TO DATE LEADERS OF SOCIALIST STATES HAVE REACHED NO DECISION TO HOLD SUMMIT SESSIONS ON REGULARLY SCHEDULED BASIS, NOR HAVE THEY DECIDED NOT TO DO SO. SPEAKING PERSONALLY AND TAKING INTO ACCOUNT OBJECTIVE FORCES AT WORK AMONG SOCIALIST ECONOMIES, HE WOULD BE INCLINED TO EXPECT MORE HIGH LEVEL CEMA MEETINGS IN FUTURE RATHER THAN LESS, BUT NOT NECESSARILY AT THE SUMMIT.

3. WITHOUT PRODDING LAZAR WENT ON TO SAY THAT SOME JOURNALISTS AND OTHER OUTSIDERS ARE MISTAKENLY INCLINED TO VIEW CEMA AS EXACT COUNTERPART OF EC. CEMA, HE POINTED OUT, DIFFERS FROM EC IN THAT CUBA AND MONGOLIA ARE FULL MEMBERS; CEMA RESPONDS TO NATURAL AND HISTORIC NEED OF SOCIALIST STATES AT THIS POINT IN THEIR ECONOMIC AND SOCIAL DEVELOPMENT. UNLIKE EC WHICH GREW FROM COAL AND STEEL COMMUNITY INTO REGIONAL CUSTOMS UNION AND THEN INTO OTHER SPHERES IN RESPONSE TO MARKET FORCES OF CAPITALIST WORLD, CEMA BASED ON SOLID LONG-TERM ECONOMIC PLANNING WHICH HAS ENABLED MEMBERS TO DEVELOP THEIR ECONOMIES IN A RATIONAL

CONFIDENTIAL

PAGE 03 BUDAPE 02375 260710Z

WAY WITH EACH DERIVING GREAT STRENGTH FROM FRATERNAL ASSISTANCE WHICH USSR HAS GENEROUSLY PROVIDED. FURTHER, SAID LAZAR, ECONOMIC PLANNING METHODS USED BY SOCIALIST COUNTRIES HAVE ENABLED THEM TO ORGANIZE, PLAN AND BUILD JOINTLY SPONSORED AND FUNDED FACILITIES UNDER CEMA AEGIS WHICH MAKE IMMENSE CONTRIBUTION TO ECONOMIC LIFE OF TWO OR MORE MEMBER STATES. HE CITED PIPELINE AND TWO ELECTRIC GRIDS CONSTRUCTED IN COOPERATION WITH USSR AND SOME OTHER CEMA MEMBERS AS

ESSENTIAL TO CONTINUING GROTH OF HUNGARIAN ECONOMY SINCE THEY PROVIDE STABLE ENERGY SOURCE ON WHICH PLANNERS CAN DEPEND.

4. RECALLING EARLIER REMARK BY PRIMIN THAT TRANSCENDENTAL POLITICAL EVENT OF 1975 WAS AGREEMENT ON CSCE SUMMIT MEETING AT HELSINKI, MCAULIFFE SAID HE HAD READ SOME ANALYSES IN PRESS BY WIDELY RESPECTED POLITICAL OBSERVERS THAT US PLEBISCITE OF JUNE 1975 ON ED MEMBERSHIP WAS POLITICAL EVENT OF SAME HISTORIC ORDER. THESE OBSERVERS HAD POINTED OUT THAT DECISION BY BRITISH ELECTORATE SERVED TO MAKE EC WHOLE AND ENTIRE: IT WAS NO LONGER MATTER OF SIX CHARTER MEMBERS PLUS THREE UNCERTAIN LATECOMERS, BUT NINE FULLY COMMITTED MEMBERS OF THE COMMUNITIES. THESE SAME OBSERVERS SAID THAT, ALTHOUGH POLITICAL UNION OF THE NINE WAS NO MORE THAN LONG-TERM PROSPECT, EXISTENCE OF EC IS ASSURED, HISTORIC ANTAGONISMS AMONG UK, FRANCE AND GERMANY ARE EFFECTIVELY BURIED, AND EC WILL BE A FORCE NOW AND IN FUTURE WITH WHICH EVERY TRADING NATION MUST RECKON. SINCE U.S. IS NOT EC MEMBER, MCAULIFFE ASKED WHETHER CEMA IN ITS RECENT DELIBERATIONS HAD TAKEN EXPANDED EC INTO ACCOUNT IN LIGHT OF UK PLEBISCITE.

5. PRIMIN SAID HUNGARY IS ACTUALLY AWARE OF POWER OF EC AS AN "ECONOMIC BLOC". EC BAN ON BEEF IMPORTS HAD SUDDENLY AND WITHOUT PREVIOUS WARNING OR CONSULTATION DENIED HIS COUNTRY ITS TRADITIONAL MARKET IN ITALY. HUNGARY TOOK STRONG OBJECTION TO SUCH INTERRUPTIONS IN NORMAL COMMERCE AND HAD RAISED QUESTION WITH SEVERAL EC MEMBERS TO NO AVAIL. WILLINGNESS OF USSR TO PURCHASE BEEF ORIGINALLY DESTINED FOR ITALIAN MARKET HAD, FORTUNATELY, PROVIDED RELIEF IN EMERGENCY SITUATION. LAZAR THEN SAID SOCIALISTS ARE REALISTS AND SO ARE THOSE WHO REPRESENT SOCIALIST
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PAGE 04 BUDAPE 02375 260710Z

GOVERNMENTS IN CEMA. THEY TAKE CAREFUL NOTE OF WHAT HAS OCCURRED IN OUTSIDE WORLD AND THEY PAY SPECIAL ATTENTION TO THOSE DEVELOPMENTS WHICH LIKELY TO AFFECT THEIR INTERESTS. VARIOUS CEMA GROUPS HAVE CONSIDERED GROWTH AND POLICIES OF EC. QUESTION DOES NOT LEND ITSELF TO EASY OR QUICK SOLUTION BECAUSE CEMA AND ED ARE VERY DIFFERENT ENTITIES. EC MORE HOMOGENOUS IN SIZE OF MEMBER STATES, LEVELS OF ECONOMIC DEVELOPMENT AND NARROW GEOGRAPHIC OUTLOOK. CEMA MEMBERS, ON OTHER HAND, GENUINELY IMBUED WITH UNITING SPIRIT OF FRATERNAL SOCIALISM WHICH SPURS THEIR RAPID ECONOMIC GROWTH AND ENABLES THEM TO COMPOSE HARMONIOUSLY POTENTIALLY CONFLICTING INTERESTS OF EUROPEAN VS. NON-EUROPEAN, AND MORE VS. LESS DEVELOPED MEMBERS. WHILE THERE HAD BEEN NUMEROUS DISCUSSIONS AMONG CEMA MEMBERS ABOUT THEIR RELATIONS WITH EC MEMBERS, MANY EARLIER STUDIES WERE NOW

OUTDATED, AND CEMA SECRETARIAT HAS RECENTLY BEGUN NEW
EFFORT WHICH WILL BIVE PROPER WEIGHT TO RECENT ECONOMIC
AND POLITICAL DEVELOPMENTS IN WESTERN EUROPE AND IN OTHER
PARTS OF WORLD. WHEN ASKED WHETHER CEMA SECRETARIAT PAPER
WOULD BE ON SUMMIT AGENDA, LAZAR SAID HE DID NOT KNOW.
MCAULIFFE

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